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MEMORANDUM FOR: Walter Elder, Assistant to the DCI

STAT SUBJECT: IBERICA and [redacted]
25X1 REFERENCE: Letter to the DCI [redacted] August 4, 1960

25X1 1. A check with [redacted] and the Office of Security revealed the following information on Subject matter:

IBERICA:

IBERICA, which is published in Spanish and English, reaches a small intellectual circle in Spain. It is distributed through the PSOE (Spanish Socialist Party). A portion of its contents are taken from liberal magazines published in France and England, among which is the Basque Government in Exile publication, OPE. The tone of the magazine is anti-Franco but not as strongly anti-Communist as inferred by

[redacted] to the DCI. As a matter of fact, in some instances it gives undue respectability to the Communists by reprinting samples of their anti-Franco statements. The principal advantage of IBERICA is that it does keep the flame of the opposition alive in the younger intellectual circles in Spain and, [redacted]

[redacted] serves as a forum where the young, liberal, anti-Communist Spaniards may freely express themselves. Its audience in the U.S. is mainly limited to the Spanish exiles. A copy of IBERICA is attached.

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STAT [redacted]



2. Recommendation: In the DCI's reply [redacted] he might say something as follows:

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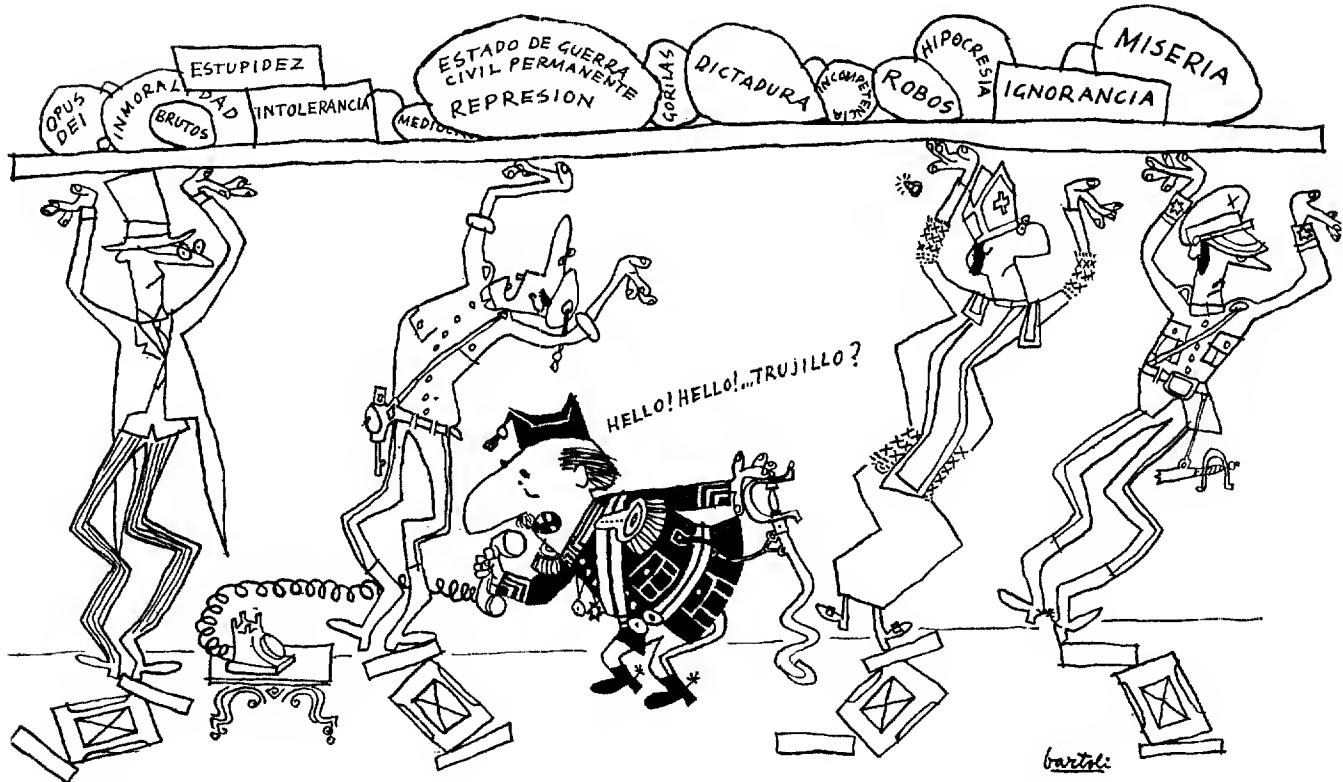
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Iberica

is a bulletin of information on Spanish affairs, sponsored by a group of Americans who believe that Spain's struggle for freedom is an unforgettable part of man's universal struggle for freedom, which must be fought unceasingly on every front against every form of totalitarianism.

IBERICA is dedicated to the free Spain of the future, to the free Spain that can be America's friend and ally in a spiritual sense, rather than in a material sense alone.

IBERICA offers the opportunity to all Spaniards who cherish their hope for a free and democratic Spain to express their views to an American public. Non-Spaniards who sympathize with their aspirations and share their ideals are invited to contribute as well.

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Price: Single copy, 25c. Year's Subscription: \$3.
Second Class Mail Privileges Authorized at New York, N. Y. Second Class Postage Paid at U.S. Post Office, New York, N. Y.

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LOYALTY TO SPAIN

Niceto Alcalá-Zamora y Castillo

The periodical reports concerning an eventual restoration of the monarchy in Spain call for a clear statement of position. More than ever before, the present moment requires the loyalty of all to the nation, which alone must decide its destiny, and an unequivocal definition of intentions so that the citizens may pronounce judgment in full awareness of the facts.

The destiny of Spain, which has been deprived since 1936 of all the freedoms enjoyed by the countries of western civilization and democratic organization, including countries that are far less culturally advanced, cannot be decided by cliques meeting in secret conclave behind the backs of the thirty million Spaniards whom, by a singular paradox, the extreme nationalists, the hysterical exalters of a misunderstood "Hispanidad," regard as mentally deficient and hence in need of a permanent political guardianship assumed in 1923 by a grotesque dictator and placed in 1936 in the hands of a cruel megalomaniac who has dragged his country into an abyss.

The primordial aspiration of the Spaniards must be to avoid another civil war; that of 1936-39 must definitively close the series that Spain has suffered from, just as the Franco regime must be our last dictatorship. The achievement of both goals, which is the aspiration of the overwhelming majority of Spaniards both within Spain and abroad, must be the result of a dialogue between the different trends of opinion in order to establish the foundation for the indestructible coexistence of the future, and to arrive at a constitution and some symbols (i.e. flag, national anthem, etc.) that are above factional connotations. All of the *non-totalitarian* sectors of Spanish life should participate through their delegates in this dialogue, but no one else. To call upon foreigners in search of interested approval and backing, which would commit our national sovereignty more deeply than it is already, would be to imitate, a century and a half later, the humiliating spectacle of Charles IV and Ferdinand VII prostrating themselves before Napoleon in Bayonne.

NICETO ALCALA-ZAMORA Y CASTILLO, son of the first president of the Spanish Republic, is a Professor of Law at the University of Mexico. He is President of the Movement for Spanish Liberation and of the Federation of University Students.

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Can the monarchy be the means for the achievement of these ends? Our unhesitating answer would be no. Aside from the fact that the last legally constituted government to exist in Spain was the Republic, and that it would hence have a prior claim for immediate restoration, the monarchy, aside from posing once again the question of the regime, which the Spanish people decided in 1931 and which was not even raised in connection with the military rebellion in 1936, lacks standing in our country. This is not a matter of gratuitous supposition but of a conviction which has been expressed by leading monarchists themselves. About two years ago the Madrid newspaper *ABC* quoted General Kindelán, a prominent monarchist, as having commented on the lack of enthusiasm for the monarchy among the youth, and on May 7, 1958, the same newspaper quoted Dámaso Pérez Embid, an outstanding member of Opus Dei and one of the sponsors of the plans for a monarchist restoration, as making an identical admission. In any case a controversial king can never be firmly seated on the throne. Although Leopold of Belgium, for instance, was backed by a Flemish majority and won the plebiscite on the question of his return to the throne, he was subsequently compelled to abdicate because of the unflinching opposition of the Walloon minority. And in Spain, for reasons which I will come to, the Pretender would encounter much stiffer opposition than did the Belgian monarch in his day.

The causes for the waning of enthusiasm in Spain for the monarchy, almost to the point of extinction, are multiple. First of all, there is the universal trend towards the disappearance of the royal institution. In 1914 only three republics existed in Europe, aside from minuscule states like Andorra and San Marino; today, on the other hand, there are only seven monarchies left, and all of them (this the Spanish monarchists should not forget) are of a liberal, parliamentary and democratic character, true crowned republics, as they have been called. In the second place, almost twenty eight years have passed since Alfonso XIII was compelled to abdicate, hence the immense majority of Spaniards have not lived in their adult years under a monarchy nor do they feel a nostalgia for its return. On the contrary, in spite of the officially decreed falsification of the teaching of history under the Franco regime every Spaniard

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knows very well that the dynasty whose restoration would be imposed on him without his being consulted has systematically shown itself to be the enemy of freedom and democracy, as the names of Ferdinand VII, Isabella II and Alfonso XIII remind us; that this dynasty has been the cause or occasion of internal wars and military rebellions without end; that it has consistently failed to guarantee stability, as all the Spanish kings and regents from Charles IV to Alfonso XIII, with the single exception of the Queen Regent Christina of Hapsburg, have known exile, and, biologically speaking, they have a sad heritage of tuberculosis, hemophilia, deaf-muteness and blindness, fully justifying the title of the book *Pathological History of a Degenerate Dynasty: the Bourbons of Spain* by Gonzalo de Reparaz, which advocates of the restoration would do well to read and ponder.

The Spaniard also knows that the Civil War, with its two million dead, was organized by the monarchists by virtue of the Pact of Rome with Mussolini; that most of the men who have misgoverned Spain since 1936, beginning with Franco, have been monarchists; that there is a plurality of pretenders (Don Juan, Don Juan Carlos, the sons of Don Juan's older brother, Don Jaime, Don Javier, the Carlist Pretender, even a descendant of the Moorish king Boabdil) and hence there would be a danger of discord among them; above all that he who aspires to be "King of all the Spaniards," far from having remained neutral during the Civil War, which would have been an intelligent position in which he could have brought his influence to bear to ameliorate the horrors of the war and the subsequent persecutions, was a belligerent himself who offered his services to fight for Franco [who turned him down] and whose oldest son was named Juan Carlos in honor of Franco's Carlist supporters, and who during twenty-three years did not utter a single word of condemnation for the crimes and arbitrarities of the regime.

When thousands and thousands of Spaniards, including adolescents and women, were being executed without trial in Badajoz, Ponferrada, Ferrol and so many other cities; when by 1939 there were about 100,000 inmates in the monasteries that had been turned into prisons in Madrid; when half a million Spaniards had to take the road of exile, first to live in concentration camps and then to remake their lives abroad; when the newspapers were appropriated and gagged and the Universities purged to greater extent than were the Italian universities under Mussolini and the German ones under Hitler; when so many of Spain's great intellectual figures were dying

in exile (such as Juan Ramón Jiménez); when persons who had sought refuge in France such as Luis Companys, president of the autonomous government of Catalonia, were kidnapped by the Franco police in connivance with Himmler's gestapo and tortured and then executed in Spain; when in brief so many many iniquities were taking place the Bourbon dynasty maintained a sepulchral silence, the silence of a guilty complicity.

But supposing, for a moment, that the Spanish people had forgotten all of this and were to ask what is the program offered them by he who aspires to be their king? With a casualness verging on cynicism the monarchists reply, "First the restoration, then we shall see." Why this insistence on the restoration before everything? Because the monarchists know full well that in some even half-way genuine elections they would not stand a chance. So what they seek is to assume power as quickly as possible and by whatever means; to set up their scaffolding of authorities and chiefs and then either put over some fraudulent elections in the style of the corrupt monarchist methods resorted to by Romero Robledo, Sagasta, Cierva, Romanones, Bugallal, Goicoechea, etc., or else, under the pretext of some incident or another, probably instigated by themselves, to indefinitely postpone the elections. Sooner or later this suicidal impasse would end in a revolutionary conflagration or a dynastic conflict, inevitable denouements which do not seem to have occurred to the obfuscating restorers.

In the meantime the monarchy offers a different solution every day: thus Calvo Serer of Opus Dei tries to get in touch with the exiles, even offers them portfolios in the government of the second stage of the restoration; Pérez Embid, another member of the shadowy theocratic institution, proposes an absolute monarchy in the style of Charles III; Sáinz Rodríguez, acting in the role of official spokesman in Estoril, releases some pro-Carlist declarations, only to rectify them twenty four hours later with some pseudo-liberal ones. Years ago the Pretender revealed himself to be an adversary of universal suffrage; latter he initiated simultaneous negotiations with Franco and an outstanding person in exile; in recent times he has promised to adhere to the line of the Movement of July 18 [Falange], later to appear in Lourdes surrounded by *requetés* [nationalists of Navarre] . . . Then there is the lamentable competition between father and son for the crown. Whether such fluctuations are the reflection of an irresolute and ill-advised temperament, or typical Bourbon maneuvers, they do

not augur well for a restored monarchy.

Were there no alternative but Franco or the monarchy, then one would unhesitatingly choose the latter. But fortunately other preferable solutions exist. In this we have the example of Spanish America, several of whose countries have succeeded in throwing off their respective dictatorships without the juntas formed for such an end having arisen with the preconceived plan of imposing such or such a candidate on the citizenry. A similar procedure should be resorted to in Spain. A junta that would be neither monarchist nor republican in character would take it upon itself to replace Franco and maintain public order. While in power, during a period of say three to six months, the junta would dissolve the official party [Falange] and its subsidiary organizations (student and labor *sindicatos*); it would annul the regime's measures of persecution and repair the outrages committed; it would suppress the so-called "Special" tribunals and limit the jurisdiction of military tribunals to strictly military crimes; it would restore individual guarantees; it would permit the peaceful reorganization of political parties and labor unions, and it would take steps leading to the formation of a provisional government which would be as representative as possible.

This provisional government would, in turn, convoke constituent elections within a predetermined period of not more than a year. These constituent elections should be a model of propriety, and could

be supervised by observers of international organizations. The different parties would campaign with explicit declarations as to their positions with respect to the monarchy and the republic, and all would commit themselves in advance to abide by the decision of the polls and not try to change it except through electoral means. For their part, students and workers would not call strikes until such a time as the life of the country should have been restored to normalcy.

If under such conditions the monarchy should triumph then it would come in with a prestige and authority which it would totally lack should it be brought in by the back door, through a *coup d'état*, and, needless to say, should it be led in by Franco. In such an electoral consultation the monarchists would have advantages over the republicans; in addition to the fact that the former have not been persecuted as have the latter, the deciding vote will be cast by the young people under 40, that is by the citizens whom the regime tried to form in its own image, daily inculcating in them an aversion towards the Republic. If under circumstances so favorable to them the monarchists should still reject this formula then it could only be because they are completely convinced that they have no strength; but it would not be just for a small group to impose the monarchy *a priori*, taking advantage of the country's complete lack of freedom.

SPAIN, 1958-9

III. THE PRESENT MOMENT

Vicente Girbau

Professor Tierno Galván, of the Law School of the University of Salamanca, has said that Spain is a country without a dialectic:

"... Spain, prodigal in internal wars, a country which has placed itself 'on trial' ceaselessly from the Renaissance down to our own times... what is certain is that we have done nothing but place ourselves on trial; ... leaving aside the question, of interest in itself, of the influence of Roman-canonic thought on the formation of this mentality, what is important is the relation between this tendency to be 'on trial' and

This is the last of a series of three articles by VICENTE GIRBAU LEON, an official of the Spanish Ministry of Foreign Relations who took refuge in France last May to escape police persecution in Spain.

the lack of a dialectic. A people of defendants and trials, as are the Spanish people, are a people lacking in dialectic. In our history opposing forces never merge into a superior unity; they remain apart, like the two parties in court awaiting the verdict. As a result nothing is ever changed, nothing disappears; all remains with us, but without becoming modernized and susceptible to any interpretation, no matter how arbitrary."

Then he went on to speak of the Castilian war of the *Comunidades*:¹ "Tolerance is indispensable in the dialectic of political coexistence; where a tendency towards indictment predominates there is no tol-

¹ *Comunidades*: the cities of Castile which rose in support of Spanish liberty against Charles V.

erance. Nothing new came out of the Castilian war of the *Comunidades*, nothing was assimilated or transformed; the war remained, ever present in its three facets of rancor, vanquishment and death.

"No war, even less a civil war, should remain ever present as a petrified menace. It must be assimilated and done with."

I believe that these words of Professor Tierno Galván serve as an appropriate introduction to this last article of the series, in which I will attempt to convey an idea of the present moment in Spain, and a glimpse into the future.

* * *

A letter that I wrote several months ago included the following paragraphs about last spring's strikes in the Asturian mines and Catalan and Basque industrial regions:

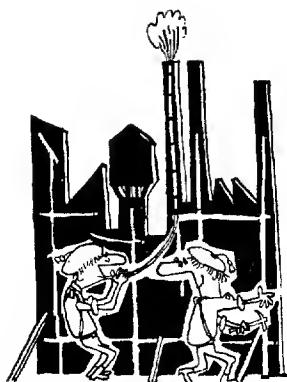
"The recent strikes were not on any greater scale than those of other occasions, yet I believe that they were far more significant because they revealed a new awareness among the working classes of some very important regions of Spain, just as the student demonstrations of February, 1956, revealed a new awakening in the universities.

"Test strikes had been called in some factories and mines and great masses of workers joined in spontaneously, completely outnumbering the members of organized opposition groups. Any of the latter who claim credit for these strikes are only deceiving themselves; in some cases members of one group or another took the initiative, but in many other cases the strikes were completely spontaneous. On the other hand even some *enlaces sindicales* [liaison officers between the government controlled labor unions or *sindicatos* and management] joined in the strikes."

In general the opposition is characterized at present by this new awakening among the working classes, and by its generalized nature among students and intellectuals, above all among the younger generations. Little by little it is becoming integrated and

taking on form, as the results of the latest roundup of socialists amply demonstrate. This roundup, one of the most important events of the last few months, pointed up the following characteristics of the opposition:

1. It is on a national scale; it is not just a matter



of unrelated local groups, but of an organization spreading out over the entire nation.

2. It includes a great abundance of persons of social prominence and intellectual prestige.

3. It includes persons of all social classes: doctors, lawyers, chemists, engineers, white collar workers, laborers of all trades and students.

4. It includes a great abundance of young people under 40 who have come into political life under the regime. This in itself leads us to two factors that bear the death sentence of the regime: a) the fact that this socialist movement includes persons from the dominating classes, persons of privileged position who have attained prestige under the present regime; b) the appearance of new generations of workers, generations who have not suffered directly from the terror of past repressions, generations that live relatively free from fear and rancor, in other words, this is one more factor favoring the appearance of a new organic class consciousness among the Spanish workers.

The situation of the regime is disastrous. Friends in Barcelona have sent me a summary of a lecture delivered there recently by a visiting professor of economics; they tell me that they have also sent this summary to *IBERICA*, so perhaps it will appear in this or a forthcoming issue. This analysis of Spain's economic maladies brings out the following points:

A badly directed industrialization process has placed the emphasis on luxury industries that require enormous credit reserves for their establishment and maintenance because the need for adequate sources of raw materials and power had not been foreseen. An abandonment of agricultural production has resulted in the need to import food products, and this along with the need to import basic materials for the big industries that have absorbed a large part of American aid, and a decrease in the export market, have brought about a catastrophic deficit in the foreign trade balance.

Because of all this the regime has had no choice but to try to join the international economic organizations or else to convert Spain purely and simply into an American economic colony, supposing that the latter should be interested in maintaining so unprofitable a venture. But let us consider the stipulations made by these international organizations: the O.E.E.C. requires a liberalization of foreign trade; the International Monetary Fund requires the parity of the peseta; the Bank of Reconstruction and Development requires a series of anti-inflationary measures. Can the regime afford such measures? The idea

of the International Monetary Fund is that ever since 1953 American aid has done Spain harm by masking the basic evils of the regime's economic policy, postponing year by year the collapse which would inevitably bring about a change of position. In short, every year American aid has consisted of the minimum amount necessary to keep the Spanish economy afloat; it is like the oxygen tent which permits the patient to linger on in life, but which does not attack the disease itself.

The Church continues its process of dissociation with the regime. A belief has been circulating in Spain according to which the new pope has decided to undertake an operation in the grand manner aimed at creating a Catholic movement which is separated from the most reactionary positions of Christian Democracy, and aligned with the socialism of a non-communist left. The Vatican's withdrawal of recognition of the Polish and Lithuanian governments in exile, Enrico Mattei's trip to China and various countries of recently acquired independence, and the politics of Fanfani and the "*apertura a sinistra*" would all be parts of this operation. In Spain such a policy would require the termination of the regime, and the recent conflict between the Abbot of Montserrat and the Governor of Barcelona would be a phase of this. I myself do not know how valid this theory is, but the fact that this belief is widespread in Spain is in itself highly significant.

But the Church and the United States have been the two pillars of the regime for the last ten years.

Last but not least, the financial scandal. This tremendous scandal, which would have precipitated a governmental crisis under normal circumstances, has caused a great stir because of the large sums involved and the importance of the persons implicated, and because it revealed the lack of confidence of the magnates of the regime in the endurance of the regime itself. Even though it was generally known before, the fact that the news should come out into the open that those who control almost all of the resources of Spain's economy and power should have chosen to place enormous sums abroad for safekeeping is highly significant.

It appears that even Opus Dei began a tactical retreat some time ago. Calvo Serer has approached persons in exile, telling them that the fall of the regime was imminent and that a joint effort by all was needed to put an end to the dangerous vacuum of Spain. It appears that this desire of Opus Dei coincides with Franco's desire to replace his present governmental team [which includes members of Opus

Dei] which he rightly regards as having been a failure.

What will the new government consist of? It will not be easy for Franco to find replacements. There has been talk of a return of the Falange, but if such a maneuver proved impossible in 1956 it would be even more so now. There has been talk of some sort of a *sindicalista* solution under Solís [head of the government-controlled vertical *sindicatos* or unions] but the continual soaring of prices and the impossibility of raising wages rule out a demagogic type solution. Perhaps Franco will call upon the Catholic groups of Bishop Herrera of Málaga or a group of technical experts, but whatever happens the result will not be anything but the continuation of the process of self-liquidation of the regime.

* * *

Though on the one hand this scene induces optimism about the future, on the other hand it cannot but induce deep pessimism. For if a regime in the disastrous situation which I have just described continues to linger on, it is only because nothing exists capable of giving it the final shove, nothing to take over in its place. The spectacle of a government disintegrating in such a way is cause for considerable concern.

It would seem as though all of the Spanish structures, of the regime and of the exile, are disintegrating simultaneously. I think that the historic interpretation of what has happened since the end of World War II could be the following: In the years immediately following 1945, the exile² tried to impose itself as such, that is, to invest the results of the Civil War. It failed, and the moment of its failure marked, perhaps, the true end of the Civil War. It was at that point that the Franco regime became established as something definitive—definitive, that is, within the limits in which it makes sense to use the word in a historic context. But at the same time the regime ceased to exist with the characteristics with which it had emerged from the Civil War. The pseudofascist regime, with its tenuous ideological content, was replaced by this strange ecclesiastical-financial dictatorship, backed up by the force of an army of occupation in its own country. Since then both the regime and the exile went on maintaining the same themes as those of the Civil War, but they were no longer based on reality; for under the surface a great process of decomposition was going on.

For some years we saw the activities of those whom

² By "Exile" I do not mean any individual or organization, but the Exile as a collective phenomenon resulting from the Civil War.

we have called the "reformists" within the government, while at the same time there was a gradual maturing of the new generations. Then in 1956 came the eruption of the youngest of these generations, which we have already described; the less young joined in this new awakening, some because they had finally found themselves, others because after years of despair and skepticism they had discovered that the moment for action had arrived.

It is important to insist that this was a matter of a new awakening. During the past two years we have witnessed a multiplication of new groups all through the nation; groups of persons who unite and formulate ideas and try to realize whatever actions are possible to them. *I wish to say, by the way, that this is no sign of anarchy but of vitality. It means that Franco could not kill all of a Spain which he had wanted to exterminate forever. It is a certainty that we will come to have her once again.*

It would be impossible to enumerate all of these groups, nor would it be of much interest. Some have been ephemeral, others have endured because they relate to a reality. Let us mention three of the latter:

Agrupación Socialista Universitaria, which relates to a need felt profoundly by many young students and intellectuals to give Spanish socialist tradition a strictly scientific character, while being at the same time profoundly revolutionary and democratic.

Nueva Izquierda Universitaria, which relates to a phenomenon that is characteristic of Spain today: an authentic Catholicism of the left.

Nueva República of Barcelona, which represents a position of progressive radicalism, with a tendency to relate to some of the movements of the "New Left" in Europe.

Then there are splinter groups resulting from the disintegration of the Falange. At present there are three of these groups in the University of Madrid, namely:

Juntas Republicanas Sindicalistas, which is clearly anti-fascist and democratic, and which proclaims the concept of a democratic trade union movement.

Acción Nacional-Sindicalista, openly anti-Francoist but still fascist, something which in reality has never ceased to exist in Franco Spain.

The *Falanges Universitarias*, vaguely oppositionist but still within the framework of the regime, with a tendency to serve as *agents provocateurs* as on the occasion of the arrests last spring of members of *Agrupación Socialista Universitaria*.

Then there are the groups of the center or left of center which aspire to serve as a bridge, such as the

Partido Social de Acción Democrática which evokes the name of Azaña, but a socialist Azaña, and the *Funcionalistas*.

As these new groups have appeared the old political formations have acquired new impetus and effectiveness in a process of regeneration which, when completed, will help to clarify the political scene. Already contact and liaison exist between these and other groups.

During the last two years efforts have been made to arrive at a pact which would unite these various elements into a single front. These efforts have been a disappointing failure. Certain persons and groups of the interior, realizing that a profound mass action was not possible for the moment, have sought contact with conservative groups in an effort to set up a general mechanism of more or less liberal and democratic forces. The plan was based on the following calculation: right wing groups exist that seem determined to combat the regime; these rightist groups are the only ones in a position to carry weight with the Church, the Army and the world of finance. All of this has centered about the question of the monarchy. Some say that one must accept the monarchy, others that one must respect the principles of an exquisite democratic purity. But behind all of these polemics lies a nation which is not the least bit interested in this question of the monarchy.

In my opinion all of this is something which must be regarded as finished for the time being. And more than to any theoretical principle, the failure has been due, in my opinion, to memories of the past. Nothing is more natural, given the ponderous weight of these memories; memories that introduce elements of mistrust between one and another, and which lead one to be influenced by a very human desire to demonstrate that at a given moment one was in the right. But at the same time, nothing is more irrational. History will judge the past, but for this it is necessary for history to proceed. We must close the parenthesis of the past twenty years and get on with the history of Spain.

* * *

This spectacle of a country's disintegration induces the most utter pessimism; one could almost be justified in asking if Spain really exists as a country, that is in the sense that not only is a country an aggregate of human beings but also an aggregate of organic structures. For in Spain today there are no organic structures other than the Army, the Church and the financial world. It would seem difficult to maneuver among these groups in order to arrive at a situation

late news

THE BANQUET OF THE "UNIÓN ESPAÑOLA"

On January 29 the political group called "Unión Española" held a meeting in Madrid attended by about 100 persons; some of them were monarchists, others of more democratic tendencies.

The immediate reason for the meeting was a letter which the writer, José María Peman, a monarchist, had received from Sr. Carrero Blanco, in which the former was advised of General Franco's position with respect to the monarchist movement.

In his letter Sr. Carrero Blanco is reported as having said "the Generalissimo has declared that SPAIN IS A MONARCHY ALREADY," and that "General Franco is the sovereign of the nation now and as long as he lives." The monarchists reacted by deciding upon this banquet, during the course of which they could say to Franco, also indirectly, what they thought.

After dinner speeches were delivered by Srs. Joaquín Satrústegui, Jaime Miralles and Professor Tierno Galván. Sr. Satrústegui severely criticized the government's economic policy, "without present or future," and Spain's present administration, demonstrating with documents and precise reasons the "illegitimacy of the present regime."

In commenting on Sr. Satrústegui's words, Sr. Tierno Galván said: "Spain has awakened to a tremendous reality; fiction begins to fall with all the weight of its crude and grotesque scaffolding. . . . We believe that the words pronounced by Sr. Satrústegui do not represent an opinion but the clamor of the conscience of an entire nation."

The banquet was authorized by the police, and, according to well-informed sources, notes about the speeches to be delivered had been submitted for prior censorship.

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RATTLING OF SABERS

press reports have stated that the speakers were subsequently arrested, this is not the case. They were called to police headquarters to make depositions, along with some of those attending the banquet, among them the Marquis of Casa Arnau, Mariano Robles Robledo, Luis Benitez de Lugo and Amadeo Cardonello.

Those attending the banquet included Sr. Gil Robles, military officials and representatives of industry and finance. The presence of Gil Robles would seem to broaden the political spectrum of this gathering. On the other hand for the moment no agreement has been made with Republican and Socialist sectors, nor with the group headed by Dionisio Ridruejo, Acción Democrática y Social.

PEMAN ANSWERS CARRERO BLANCO

A letter dated Feb. 2, in which the writer, José Ma. Peman, answered the letter from Admiral Carrero Blanco, which precipitated plans for the dinner of the "Unión Española", was released to the press on February 10.

The letter exhorts Franco to pave the way for his succession. Here are two paragraphs from it:

"I believe that the future would be more solid if Franco would prepare for this event during his life, instead of depending on future decisions." . . . "The Government holds the means of orienting and directing the growing national sindical movement, which, in turn, has in its hands a large part of Spain's future." . . . "Would it be so difficult to let the monarchy be known as something more than a vague possibility subject to conjecture, and something more than silence with respect to Don Juan?" . . . "I am completely in agreement that the monarchy should be installed as a continuation of the victory (an allusion to the Civil War) and its leader." . . . "It is necessary to preserve the heritage of the Catholic Monarchs and Charles V."

Madrid, *Iberica*:—The banquet of the "Unión Española" is an aspect of the present race for power. The situation is very fluid. The sound of saber-rattling has been heard for several weeks here. Several of the younger military officials have given warning that they are prepared to seize the reins of state to "restore order," before the country is plunged into total bankruptcy. They insist that such an eventuality can only be avoided if a team of responsible civilians is prepared capable of restoring the confidence of the foreign powers and of achieving certain changes without grave disturbances. The "Unión Española" gathering relates to this situation. Gil Robles' support could decide the attitude of a certain sector of the Church, and convince timorous like Ruiz Giménez. The support of the banking world could permit the negotiation abroad of the loans needed for establishing the parity of the peseta.

All that is needed is to "let the cat," and the cat, they say, is in El Pardo Palace.

"FRANCO ON THE BRINK"

An article describing the formation of the "Unión Española" party appearing in the February 7 edition of the *New Statesman* of London ends with the following comment:

"... the formation of the movement is an act of open defiance to Franco, whose penal code specifically forbids the creation of political parties; and the support it is receiving indicates the extent to which Spanish business circles, and even the army, are now campaigning for Franco's removal."

PROFESSORS UNPAID

Iberica, Barcelona: The University professors who receive extra pay for special scientific research projects have not received this extra compensation for three months.

MORE STRIKES

Textile workers of Tarrasa

Eight hundred textile workers went on strike in January in Tarrasa, one of the principle centers of the Catalan textile industry, 20 miles outside of Barcelona. Strikers protested the reduction of the working week to three days. Seven are reported to have been arrested.

It had been feared for some time that the reduction in the working week in the textile industry, reflecting the overall slump in this industry, would lead to serious discontent.

Shipyard workers of Seville

(From *Le Monde*, of Paris, Jan. 27)

"More than 2000 workers paraded through the streets of Seville demanding wage increases. Most were employees of the aviation plant and the naval shipyard. There were no disorders or arrests, nor did the police disperse the demonstrators, even though the latter carried big placards stating their demands. The officials of the two companies have just received wage increases, but the government has not authorized any wage rise for the workers."

STUDENT DEMONSTRATIONS

(From *Le Populaire*, Paris, Feb. 3)

Barcelona: — Student demonstrations continue in the University of Barcelona for the release of the political prisoners. On Friday, January 30, classes were suspended in the Law and Philosophy Colleges. The students refused to go to classes and they marched through the streets in an orderly way asking for a broad amnesty for the political prisoners. They distributed leaflets in which they asked for the "imprisonment of those guilty of exporting capital."

The *Boletín Interior* published by the exiled autonomous government of Catalonia and the U.G.T. (Unión General de Trabajadores) in Perpiñan states in its most recent issue:

The return of Professors Raventos and Rion and the student Sampsons, gave rise to a demonstration

in the University of Barcelona. The students of the Colleges of Law, Letters and Sciences welcomed them with a great ovation. Cries of "Freedom to those imprisoned," "Let the thieves be brought to justice," and "Make the list public," caused a great commotion in the Law College.

The police have ordered Raventos, Rion and Sampson to remain in their homes so as to avoid more demonstrations.

REQUIEM MASS FOR GENERAL BAUTISTA SANCHEZ

On Friday, January 30, a requiem mass was held for the late General Juan Bautista Sánchez, the Military Governor of Barcelona who died about two years ago under circumstances suggesting that his death was not from natural causes. (It was rumored that the General had been poisoned on orders from on high.)

The requiem mass was attended by a great many outstanding monarchists, including many who oppose the Franco regime.

BATISTA'S SON IN SPAIN

Fulgencio Batista Codines, son of the ex-dictator of Cuba, his wife and three sons have arrived in Barcelona where they plan to take up residence. It is rumored that Batista Jr. is endeavoring to arrange for a visa for his father and other relatives to come to Spain.

SPAIN IN NATO?

On January 9 two resolutions were introduced in Congress (House Concurrent Resolutions 26 and 29) by Mrs. Edna F. Kelly, Democratic of New York, and Mr. Francis E. Walter, Democrat of Pennsylvania, "expressing the sense of the Congress that efforts should be made to invite Spain to membership in the North Atlantic Treaty Organization."

The resolutions were referred to the Committee on Foreign Affairs.

THE "LIBERATION OF BARCELONA"

Ibérica, Barcelona: On January 26 the officials of the regime celebrated the anniversary of the "liberation of Barcelona." The Civil Governor of Barcelona, Sr. Acedo Collunga, organized several official ceremonies to which the Bishop and other high-ranking members of the Church were invited. However the Bishop of Barcelona did not attend, nor did he send a representative. This conspicuous absence is significant in view of the fact that the Bishop had been present at these annual affairs in the past.

THE RIBADELAGO DISASTER COULD RECUR

Ibérica, Barcelona: — There has been much talk here about the resemblance between the disaster caused by the breaking of the dam in Valencia in 1957 and this new catastrophe in Ribadelago. Both are said to have been due to defective construction by the government controlled Instituto Nacional de Industria (INI).

It is natural for the people to come to these conclusions as it is already public knowledge that orders have been given for the reservoirs to be emptied of one third of their contents.

This measure is said to be being taken on the advice of foreign engineers, who have warned that all of Spain's new dams run the risk of breaking because of faulty construction.

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ECONOMIC DANGER SIGNALS IN SPAIN

An article with the above heading appearing in the January 17 edition of the London Economist, ends with the following paragraph:

A curious feature of the country's economic plight is that things are bad although American economic aid to Spain has just passed the billion dollar mark (this does not include \$350 million for the bases and \$400 million for the modernization of General Franco's armed forces). In explanation the Americans say that their economic assistance is not a recovery program; it is for "defense support," that is, it is designed to help Spain to withstand the economic impact of the joint construction of military bases and the modernization of the armed forces. American aid, therefore, is not being poured into the Spanish economy indiscriminately; it is being channeled into basic and selected sectors, notably to agriculture, electric power, transportation, and the supply of certain raw materials and foodstuffs. The Americans feel that their aid

program in Spain cannot be held accountable for a situation brought about by excessively rapid industrial development pushed forward at the expense of agricultural needs, by an immovable reluctance to disturb vested interests, by resistance to foreign capital investment, and by excessive government controls on private economic activity.

SPAIN THREATENS ISRAEL

(From Le Monde, Paris, Jan. 23) Damascus, AFP.—Sr. Castiella has made it clear that in his talks with Spanish diplomats in the Arab countries he has impressed upon them the need to improve relations between Spain and these countries.

In reply to questions posed by journalists, Sr. Castiella recalled that Spain has never recognized Israel, and that in the event of Israel's aggression against any Arab country, no matter which, Spain's position would conform to her friendship with the latter countries. He also insisted that the invitation extended to President Nasser in 1955 to make a visit to Spain still held.

SURPLUS AGRICULTURAL PRODUCTS TO SPAIN

On January 13 an agreement was signed in Madrid between the U.S. and Spain for the sale of surplus agricultural products in return for pesetas.

U.S. surplus commodities to be shipped to Spain include \$50.9 millions in edible oils (soybean or cottonseed); \$17 millions in cotton; \$11.5 millions in feedgrains; \$10,000 in dehydrated milk; \$50,000 in poultry; \$1.5 million in beans. The cost of transportation is estimated at \$5.7 million.

\$8.8 MILLIONS IN TOBACCO FOR SPAIN

It is curious to note that the agreement signed on January 13 in Madrid for the sale of U.S. agricultural surplus products to Spain for pesetas under Public Law 480, includes \$8.8 millions worth of tobacco.

The sale of tobacco is still a state monopoly in Spain.

BILLS WITHOUT SERIAL LETTERS CIRCULATING IN SPAIN

IBÉRICA has received reports from Spain of the circulation there of 1000, 500 and 100 peseta notes bearing no serial letters; samples of these have been sent to the IBÉRICA office.

As is generally known, paper money should bear both a serial number and a letter. The samples of Spanish bills received by IBÉRICA include 1,000 peseta notes issued on October 21, 1940, February 19, 1946 and November 4, 1949; 500 peseta notes issued on November 15, 1951, and December 31, 1951, and 100 peseta notes dated April 7, 1953. All bear a serial number but no serial letter.

A correspondent in Spain has had this to say: "I have spoken with more than 20 persons, including bank employees, but none could explain this phenomenon to me. One friend who made inquiries with a friend of his in the Banco de España received the following laconic reply: 'If you should go abroad it would be best not to take any bills without serial letters'.

"I first became aware of the existence of these bills when I went to change some money into foreign currency and the money changer rejected them as being 'irregular'."

In the March 15

Iberica

The Catholics Against Franco

A report from the interior on the growing friction between Church and State in Spain.

Union, for What?

Xavier Flores

The internal political situation in Spain in relation to the political parties in exile.

The Example of Doctor Zhivago

Juan de Toledo

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LATE NEWS

Approved For Release 2003/07/29 : CIA-RDP80B01676R003700080035-8
From our Correspondent in Madrid

garrison, either Ceuta or Melilla.

THE FLIGHT OF CAPITAL

The scandal over the flight of capital continues to be the number one topic of conversation. No one knows where it will all end, but there are various theories afloat: those closest to the government insist that the funds will be repatriated, others that only a token part will be brought back. The Falange has taken a very militant position, insisting that the names of all involved be made public. However the general belief is that those who will "pay the piper" will only be the minor scapegoats.

ANDORRA BORDER CLOSED

Opus Dei continues to present Ullastres, Minister of Commerce, as a "purist", but it is known that the transfers of Spanish capital to Switzerland were not made by the agent of the Swiss bank in person. Many of these transactions were done through the Banco de Crédito of Andorra, whose Board of Directors includes Sr. Ullastres. We should mention that the Banks of Andorra are not required to make their balances or the names of the members of their Boards of Directors public.

The afore-mentioned bank has an outstanding member of Opus Dei as its director, namely, Rafael Termes, son of a shoe manufacturer of Sitges, (Barcelona). The President of the Bank, also a member of Opus Dei, is Sr. Ribalta, a businessman who owns a refrigerator and radio store on the corner of Paseo de Gracia and Diputación Streets.

The border at Andorra has been closed since January 27 by orders of the Spanish Government to all individuals of Spanish nationality. All safe-conduct and other passes have been indefinitely cancelled. Furthermore, all Spanish police commissariats have received orders to suspend the issuing of passports and safe-conduct passes for Andorra.

THE SITUATION IN MOROCCO

The situation in Morocco has become more tense. In the course of a press conference held on January 15, Prince Moulay Hassan alluded to foreign interference in Moroccan affairs, stating that arms taken from rebels in the Rif were proof of this. Six days later the government of Morocco sent a note of protest to Madrid, just when Castilla was in Cairo. This note enumerated a series of incidents in which Spanish agents operating out of Ceuta and Melilla seemed to be involved. Furthermore, the Rabat government claimed to have captured several Spanish subjects who were fighting with the rebels. To make things worse it has become known that a well known rebel has sought refuge in a Spanish

Judging by the official atmosphere in Madrid, the matter could originate in the secret services attached to the Spanish Army stationed in Africa, without the will, even against the will, of the Spanish Government. It should not be forgotten that the incident of Tarfaya (near Ifni) last year was provoked by the Spanish military in Morocco acting on their own. But now the Government, to be on the safe side and avoid responsibility for future incidents, has circulated rumors of a "strong Soviet penetration" in Morocco, based primarily on the no doubt excessive number of Russian diplomatic and consular officials in that area.

A REORGANIZATION OF THE GOVERNMENT?

Indications that Franco plans to form a new government have led to a lively race for power. One constantly hears new rumors of the latest groups aspiring to power, but in general they can be divided into the following four categories:

a) The return of Arburúa, (former Minister of Commerce) supported by a goodly number of Basque industrialists and businessmen.

b) The Solís-Girón team (Falangist), which, with the support of the vertical trade *sindicatos*, outlines an economic plan which includes devaluation without calling it by that name.

c) Right-wing Christian Democracy, which considers itself most capable of effecting integration into Europe and of accomplishing a neo-liberal reform.

d) Opus Dei, which is represented at present by Ullastres and Vigón in the Government, but which at the same time plays the monarchist, even the anti-Franco, card.

MORE STATISTICS

Figures released recently by the National Economic Council indicate an increase in the national income for 1958 of 4.3% over that of 1957. According to figures prepared by the Banco Central this increase is 3.8%. In either event the total increase is much less than that of the previous year (8.2%) and of the average increase for the entire period, 1950-1958 (6.6%).

According to the Economic Council agricultural income did not increase at all; according to the Banco Nacional it increased 2.1%.

Average wholesale prices increased 8% during 1958 and retail prices 14%.

The report of the Banco Central caused a sensation for its revelations concerning the deficit in foreign credit reserves and the decrease in the production of iron and the exportation of pyrites due to conditions of the world market. Above all because this report, contrary to official optimism, declares that the inflationist tendency persists and that this has led to the depreciation of the peseta abroad.

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in which the country's problems could be posed in realistic terms.

Yet if we wish to seek this way, serenely, paying attention to reality and without prejudice, then I believe that there is reason for optimism. Here we have as positive factors:

a) The situation of the regime, which we have tried to explain earlier.

b) The simultaneous disintegration of the regime and the exile. I believe that we are reaching the final moment of this disintegration, the final disintegration of the situation which resulted from the Civil War, while within this general process we are also witnessing a slow process of regeneration and resurrection.

c) The conviction of all who amount to anything in the regime that it is definitively doomed.

d) The desire of all who are estimable in Spain, within the country and without, to build a country inhabitable for all.

e) The previously alluded to awakening of the masses and the generalized nature of the opposition among young intellectuals and students.

If this analysis is correct, then these factors can give us a clue to the future. In any event the regime will not fall without the express or tacit consent of these three sole organic structures of which we have spoken. A mass action which would sweep away existing governmental structures is unthinkable in our country and will be for a long time. But I do not believe it to be impossible for that express or tacit acquiescence to be gained.

No doubt the Army would prefer to retain its present privileges, but I believe that most of the military men know that this is impossible. Furthermore, the Army is demoralized by the awareness of its great historic failure. For example, ignorant as are the military men of life in the modern world, they believed that American aid would suffice to solve all of Spain's economic difficulties; to them it is a mystery why the beginning of this aid coincided with the lowering of the peseta and the rise in prices and the cost of living in general. Another demoralizing factor has been the regime's failure to form its youth in its own image. When one hears a young man named Kindelán declaring that no longer are there two

³ I wished to clarify this allusion to the Church by specifying the present Spanish hierarchy. It is obvious that I am not here referring to the Church as a universal organization, but neither am I referring to the totality of the Spanish Church today. One must keep in mind the promising phenomenon of the appearance of a young clergy with a true social conscience.

Spains but only one, a people who fight for freedom,

then one can assess the extent of this failure. Finally, the true great failure of the Army, the loss of Morocco, that "home of the Liberation." The absurd Ifni campaign is a good index of the state of mind of the Army in this respect. In brief, though I do not believe that the Army would draw its sword to overthrow the regime, neither do I believe that it would do so to defend it.



Similarly the Church, or the present ecclesiastical hierarchy,³ that is, would prefer the maintenance of the regime. But the Church knows even better than does the Army that the days of the regime are numbered. Its attitude is fraught with doubts and vacillations; on the one hand it fears a withdrawal of its support from Franco as it knows that this would precipitate his immediate downfall; but at the same time it fears the results of unconditional support of the regime. The operation "preparation for the future" is already underway in the activity of Bishop Herrera in Madrid. This "Christian Democratic" operation undertaken by Artajo, the director of Catholic Action, Bonet, and others, blessed by the Papal Nuncio and the Government, has, in reality, very little that is democratic to offer. Its ideal is the perpetuation of the present situation under more acceptable forms, more or less democratic, depending on circumstances. But at the same time an authentic Christian democracy is arising in Spain, and no doubt one day the Church will conclude that after all it is better to back a Gil Robles or a Jiménez Fernández or anyone rather than to continue in the embrace of a regime in its death agony.

Finally, we have the world of finance. We spoke earlier of Spain's financial situation. It would seem that the "moment of truth" is approaching. Only the other day the German minister, Erhardt, said to some journalists here in Paris that Spain cannot continue to receive foreign aid if she does not decide on a coherent economic plan, along with the sacrifices which this would entail. When the lean years come, wouldn't it be better to confront them in a situation with greater guarantees of political stability? In any case the economic situation will force Spain's integration

into the world of today; it implies the absolute termination of that airtight glass bell in which Franco has been able to maintain himself so well. The results cannot but be beneficial. Of Spanish capitalism we can say the same that we have said of the two other structures: it will support Franco, but it will not risk its fortunes to cure an illness which could be mortal.

* * *

So what is to be done?

If we take a long range, historic position, then the outcome could not be more certain. In Spain some economic and social forces have developed under the regime that do not in any way fit into its institutional and ideological scheme. There can be no doubt but that these forces will continue to mature and will sweep away all of these years of opprobrium without leaving a trace.

In my opinion one should take this historic viewpoint. One should favor, enchannel and organize these new forces. Furthermore I believe that this position is the most rewarding from the short term point of view as well, for two reasons: first, because the coherent development and action of these new forces are what can influence the three organic structures of which we have just been speaking; secondly, because it is in the course of this development that the unanimous agreement of the different elements of the opposition can spontaneously take place.

I believe that this action should be based on two principles:

On the one hand we should tirelessly anticipate the ideas of a national reconciliation. The present situation can only be overcome when people are really convinced that this is possible without a danger of the execution of the innumerable death sentences that so many Spaniards harbor in their hearts against their compatriots. And this brings us to the concept of a dialectic solution. The victory of dialectics does not presume neutrality or suspension of judgment with respect to the Civil War, or that one need dispense with its themes for tactical or emotional reasons. It is rather a matter of the dialectical merging of opposites in such a way that, once a new synthesis has appeared, it would make no sense to speak of the past except as a historic event. Let us let the dead bury the dead.

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On the other hand one should work along concrete lines. One must let the people know what their country is like and what it could be like some day; one must point out the great evils of the country, but in a purely objective and technical way, without lapsing into rhetoric. One must propose a precise plan for reconstruction, and for social and economic development; a plan that is prudent and positive and free of fantastic ideals or demagogic; a plan which does not pose impossible objectives or too many objectives at a time; a plan that is radical in the sense that it attacks the basic problems of the country and effects great structural changes. My fellow members of the *Agrupación Socialista Universitaria* and I composed a statement recently in which we said, in part, "We believe that there is nothing more revolutionary than the scientific approach, which means to recognize that which exists, and to transform it according to a strictly scientific plan."

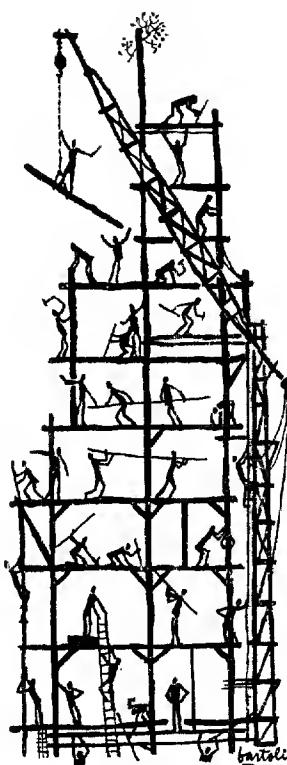
Finally, as I bring this article to a close, I must say that I am optimistic. I am optimistic because the Spanish people are as good subjects as they have always been, and I think that when the regime comes to an end we are going to meet once again with a people who are young in heart and who will gladly take up the ways of the future. I am optimistic, also, because I believe that there is something which is changing in many Spaniards. I believe that many Spaniards are cured of the old rhetoric, and are inspired by this objective spirit which is something new and hope-inspiring, not because it is unheard of in our history, as we have always had minorities endowed with this spirit, and Costa and Giner are good examples of it, but because to date I do not believe that we have had an example of an entire generation having proposed to itself as a collective task a calling for the empiric.

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Inspired by this objective spirit which is something new and hope-inspiring, not because it is unheard of in our history, as we have always had minorities endowed with this spirit, and Costa and Giner are good examples of it, but because to date I do not believe that we have had an example of an entire generation having proposed to itself as a collective task a calling for the empiric.

In mentioning Giner I recall how those two great masters of contemporary Spain, Pablo Iglesias and Francisco Giner, included in their teachings the idea of concrete and continuous effort; when Giner died Machado asked for a period of mourning of work and hope. Who knows if after so much time and so many catastrophes the seed which they sowed will yet bear fruit! For we all dream of a new Spain. So let us leave the past and look toward the future.

Paris, January, 1959



PROBLEMS OF SPAIN'S ECONOMY

The following is a digest of a lecture with the above title delivered on October 9, 1958, at the University of Barcelona by a visiting professor of Economics, Fa-bián Estapé of the University of Saragossa. The text of the lecture has been published in pamphlet form by the National Federation of Students of Catalonia.

AGRICULTURE HAS NOT KEPT UP WITH INDUSTRY

In most backward countries economic progress has been headed in one direction only, industrialization. This has been the case in Spain. All production indices, official statistics and other recent studies demonstrate the static nature of Spanish agriculture in contrast to an expanding industry.

Agriculture and industry have moved in different directions and at different rates of progress in Spain. Not only has agriculture failed to keep pace with industry, but in many cases it has gone backward. When one realizes that the indices of production in most crops are only slightly higher than those of 1935 (and in some cases lower) whereas the Spanish population has increased at a proportionately much greater rate (over 250,000 a year), then one can understand why the per capita food supply has decreased. The recent large imports of food products show to what extent the national agricultural production fails to fill the country's needs. If a change in policy is not effected then the result will be that supplementary food will use up the main body of American aid without however guaranteeing an adequate food supply for the nation.

Industrialization should be synchronized with a mechanization of agriculture, first of all because the exportation of agricultural products generates the foreign credits for the importation of much needed capital goods, and secondly because a mechanical agriculture releases labor for the industrial centers. But when the rhythm of industrialization is speeded up without an accompanying speed-up in agricultural development, when emigration from the country to the city is only due to intolerable living conditions, then all that is achieved is an aggravation of the housing problem with the congestion of human beings in insanitary slums and shanty-towns; all that is just the opposite of genuine economic progress.

The development of Spain's agricultural resources involves a special need to intensify the cultivation of livestock. The principal herds of sheep and cattle are inferior to those existing in 1935.

Seen from a long range view Spanish industry itself has failed to achieve a harmonious development. In

general, manufacturing has advanced far more rapidly than has basic industry. Spanish industry has been greatly handicapped by bottlenecks that constantly recur because of the shortage of power and basic materials such as sheet-metal, copper, cement, etc. Furthermore basic industries have been retarded by the official price-fixing policy which has diminished their chances of being self-financed. These basic industries have encountered difficulty in attracting capital investments. In short, the industries that are most necessary to the nation's economy are the ones that are of least interest to the private investor.

A sound industrialization process must be planned in long range terms. To begin at the end could be disastrous. A country going through this process has a greater need of basic industry than of an automobile industry, for example. The experts of the international economic cooperation organizations who have made on the spot studies of industrialization in under-developed countries have pointed to the tendency of such countries to emphasize a type of industry which we might call "industries for show."

Another serious problem facing Spanish industry is that of the renovation of capital equipment. At the moment few Spanish industries could stand even a hint of foreign competition, in spite of the low wage level. One often hears it said that this situation is due to the difficulty in obtaining import licenses, and I dare say there is something to this, but it is not the only reason. In our country industrialists have always tended to postpone the replacement of existing industrial equipment, preferring to make new installations instead. But the industrialist who chooses to postpone the replacement of existing machinery, preferring to build a new plant, is not contributing effectively to the national progress. An economic policy which guarantees a genuine, sound and balanced economic development is neither easy nor gratifying.

FINANCIAL PROBLEMS

The problems inherent in industrial expansion lead us to a consideration of financial problems, as for the moment most of the big concerns of the country are meeting great difficulty in finding capital for the financing of their production schedules.

The State's withdrawal to a secondary position in the capital market has not brought the anticipated stimulation of private industry because of a series of circumstances and factors—largely psychological—which have brought about a tendency to hold back on private investments. Many companies of vital importance

to the national economy are having great difficulty in finding capital. A profound reform is required in the capital market of an economy in which it is far easier to raise capital for the construction of a football stadium than for a power plant. Investment in essential industries should be made more financially attractive, and investment in superfluous enterprises should be limited.

This has always been the case but it is much more so now when a great extent of Spain's economic development is being financed by inflation. Inflation is like taxation, but it is the most unjust of taxations as it weighs most heavily on those who live on fixed incomes. There are times when resources raised through taxation and private investment are insufficient and no resource remains except inflation. But this must not be overdone. After a certain point inflation becomes self-destructive. Instead of serving as a stimulus to production it leads to social chaos and a distortion of values.

In our country the disequilibrium between savings and capital investments has been very considerable during the last few years, so much so that in order to retain a certain level of invested capital it has been necessary to constantly increase the pressure of inflation. Let us consider some figures indicating the extent of this phenomenon. The fiduciary circulation of 30,000 million pesetas in 1950 rose to 65,000 million in 1957, but the production increase mobilized in part by this increase in fiduciary circulation was proportionately very much less. However if instead of the fiduciary circulation we think in terms of the much more significant index of the total means of payment in the hands of the public, then we find that this increase has risen from 66,000 million pesetas in 1950 to 167,000 million in 1957. This difference has been financed by inflation.

FOREIGN COMMERCE

Foreign commerce is of enormous importance to Spain. Lack of historic perspective leads some to attribute special significance to these last twenty years with respect to the isolation of the Spanish economy. The truth is quite different: the last twenty years have merely reinforced a tendency which dates back to 1900. The beginning of an orientation of Spain's economy toward the principle of the substitution or "nationalization" of imported goods was the great victory of the Spanish protectionists of the turn of the century. For many years efforts were made, with the help of a protective tariff, to manufacture or reproduce whatever products were being imported. It was in this way that the Spanish economy became divorced from the outside world.

A significant index, that of the volume of foreign trade in relation to national income, tells us that we continue to be the Western European country with the least foreign commerce, or the country with the most "closed" economy. In this we have hardly been an ex-

ception since the first of the century, but today we are the exception in Western Europe. Ever since 1900 Spanish industrialization has proceeded with an eye to the substitution of import products, and it has benefitted from a protectionist policy; later, isolation obliged her to continue on a path from which the other countries have withdrawn.

The European economic climate today is quite different from what it was 20 years ago. A series of international economic organizations all relate to an extensive and intensive trend from which we cannot afford to remain apart.

There have been times when economic isolation has had its advantages, times when the Spanish economy did not reflect and suffer from the ups and downs of some other national economies; but today the price of isolation is too high. It is a price which cannot be paid.

Now measures adopted within the last few months indicate that Spain has decided to join this international economic movement. But first Spain's economic policy will have to conform to the stipulations made by the various organizations.

The most extensive changes will have to be made in the field of foreign trade. For example, admission as a full member to the O.E.E.C. requires the fulfillment of obligations included in the Code of Liberalization. Should these be fulfilled then Spanish commerce in the immediate future would be conducted under multilateral conditions. No longer would the countries dealing with us be obliged to import from Spain in order to liquidate their credits here; in a sense Spain's negotiating strength would be diminished.

This change would take place under highly inauspicious circumstances. Without needing to resort to a profusion of statistical data we can easily convey an idea of the extent of the problem by examining the increase in the foreign trade deficit in the last few years. In 1950 exports totalled \$405,000,000; by 1957 they had risen to \$475,000,000, an increase of not quite 20%. But the picture is quite different when it comes to imports: in 1950 imports totalled \$390,000,000, but by 1957 they had gone up to \$862,000,000, an increase of over 100%.

This enormous increase in imports is due to the policy of industrialization, and the previously alluded to deficiencies in agricultural production. A limitation of imports would be out of the question because of the shortage of supplies in many areas of the Spanish economy. On the other hand the problem is aggravated by the difficulty in increasing exports; this is not absolutely impossible, but it would require a basic revision of the methods pursued to date.

In brief, the problem is a difficult one because it involves a need to increase foreign credit reserves at a time when the outlook for export increases is very low, and the need for more imports is imperious.

Editorial

Approved For Release 2003/07/29 : CIA-RDP80B01676R003700080035-8

LIQUIDATION PERIOD

The meeting of anti-Franco monarchists held in Madrid on January 29 was heralded as a significant event in the international press. Precisely because freedom is so limited in Spain occurrences which might pass unnoticed in other countries are scrutinized with rapt interest by the public opinion of Europe and America.

We, who have been following the course of the Franco regime for many years and who harbor no illusions on this score, must acknowledge that this meeting held a very especial significance, both with respect to what it tells us of the situation of the regime and to what it represented in itself.

The banquet held in a Madrid hotel was held with the permission of the police. Its organizers had fulfilled this necessary prerequisite and the meeting was officially sanctioned. Such a concession in the Spain of today means that the leaders of the regime did not oppose the meeting, as all gatherings of a political or sociological nature are forbidden.

With respect to the meeting in itself, it signified the birth of an anti-Franco political party. The fact was announced during the meeting and leaflets outlining the bases of the program of the new party, "Unión Española," are already in circulation.

In granting permission for the meeting the Franco authorities did so in full awareness of its significance, as some of its organizers, Srs. Satrústegui and Tierno Galván, for instance, had been arrested a year ago for "illegal activities." None of the speakers or organizers have been arrested since the meeting; the authorities limited themselves to merely summoning some of those present to police headquarters to make depositions. Such was the tenor of General Franco's reaction to the meeting; this precedent indicates that the regime now consents to, even tolerates, meetings which are outside of its own law and, for that matter, the formation of political parties other than the Falange, and which are opposed to the regime itself.

Those attending the banquet included monarchists, representatives of the Army and banking and financial worlds, and some members of the group called "Socialista Independiente." Outstanding among the military men present was General Aranda, longtime opponent of the Franco regime, and among the civil-

The political party emerging from this meeting has a monarchist and essentially conservative character, and, according to its announced program, it is open to all political groups, including the anarchists, but with the single exception of the communists. The new party counts, as one of its members has stated, on the backing of the Christian Democrats, on the liberals, represented by Professor Tierno Galván, and on the group named "Socialista Independiente." In any event we note that representatives of all these tendencies attended the banquet. According to our information the party's platform includes the following points: the expulsion of General Franco and the restoration of a parliamentary monarchy with limited powers.

Seen from a distance, these developments would appear to represent the first direct blows aimed at the Francoist edifice to make their mark. It is true that this political front, "Unión Española," existed a year ago already,¹ and it is also true that Sr. Satrústegui has felt obliged to state that "Unión Española" is not a political movement but a "moral union", but it is no less true that Franco's message in which he bluntly stated that Spain is already a monarchy and that he will be its ruler for the rest of his life, was what brought this previously amorphous political group out into the open as a new political party.

This party has not yet reached an agreement with the traditional republican and socialist groups or with Acción Democrática Social, the group headed by Dionisio Ridruejo, but inasmuch as "Unión Española" is essentially a monarchist and conservative party it is logical to suppose that the democratic center and left of center groups will await an occasion to follow in its footsteps; nor could the Spanish dictatorship very well refuse them the permission that it has granted to "Unión Española" to hold a meeting when the time comes for them to announce their minimum basic programs.

In brief, regardless of how one interprets these events, it cannot be denied that the regime is entering a period of liquidation. General Franco has been pushed to the edge of the stream; the forces that have backed him are edging out from under and obliging him to leave. So far everything would lead one to believe that General Franco will choose the prudent course of leaving on the bridge which his compatriots are holding up for him in time to avoid a bloody conflagration.

¹ See *Iberica*, May 15, 1958, p. 14.

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*Reports from our
correspondent in Madrid*

A COUNTRY IN BANKRUPTCY

This could be said to be the case of the Spanish Government today, were it not for the fact that it is something of greater import than a private business concern. Nevertheless the fact must be faced that the Spanish economy is as good as bankrupt, because the deficit in the balance of trade is greater than it was in 1957, because the nation's gold reserves have dwindled to less than \$60 million, and, most important of all, because the recent developments in the rest of Europe have left Spain with her back to the wall.

Do you remember when our Government was boasting that Spain was as good as a full member of the O.E.E.C., the International Monetary Fund, even the European Common Market? Now we find that all of this is far from the case, as Franco would never accede to the conditions for membership so logically stipulated by these international organizations. Today everyone in Spain is shaking his head in despair and only a miracle can stave off devaluation and partial convertibility (all of which adds up to bankruptcy, or else to the turning of everything over to foreigners in order to stay afloat).

It has been said that Spain missed the streetcar of the European economy, and now that the latter travels by bus the fare is higher and it is more difficult to catch up with. Now if Spain fails to get into step with the economic measures taken by the 17 countries of the O.E.E.C. and the European Common Market as well, then she will be the victim of economic discrimination in that she will not benefit by the lowering of protective tariffs in these countries by 10%; as the regime will have to pursue its present policy of bilateral trade treaties these countries will do much less business with Spain and the value of the peseta will become more and more fictitious.

But, on the other hand, should Spain decide to catch up with these European countries then her shortage of credit reserves, industrial weakness and low productivity (with high costs) would all lead to

a liquidation of industries such as steel, metal, chemicals, and automobile manufacturing, along with an aggravation of the crisis in the textile industries, in exchange, of course, for an improved export market for agricultural products such as the citrus crops and wine. This situation would also lead to a devaluation of the peseta, which would make it seem advisable to devalue it to a sufficiently low rate of exchange (at least 62 to the dollar) in order to achieve a minimum stability. The situation is made far more complicated by the shortage of credit reserves, which renders the entire operation truly hazardous.

This is how things have stood, in general, since the first of the year. The Caudillo did not choose to refer to such gloomy subjects in his end of the year speech, but the crisis was already being confronted in economic and financial circles. The *Consejo Económico Sindical* met in permanent session to discuss the need for adjustment to the new situation in Europe and to devalue the peseta. Then the Minister of Commerce, Ullastres, not wanting the Falangist faction to take the lead, discussed the problem fully before the Council of Ministers. It was necessary to establish immediate international contacts, and in the interior to count on the cooperation of the *Consejo Bancario*, the Bank of Spain, Chambers of Commerce, etc., thereby neutralizing the head-start of the Falangist *Consejo*. Abroad, it was necessary to know the definitive conditions for admission to O.E.E.C. and the economic community in general, and to find out the chances of obtaining a loan (from a country or the International Monetary Fund) should it become necessary to declare the convertibility of the peseta.

TALKS WITH GERMANY

A secret meeting was held in Paris between Ullastres and the German Finance Minister, von Eckhardt. The former returned after two days with Germany's reply: No oxygen tanks, no need to ask for loans without offering something in return. Spain must adjust herself to realities, devalue her currency and, if necessary, "take in a notch in your belt." A similar reply came from O.E.E.C. sources: Spain must release her exchanges and devalue the peseta. In short, the Germans go on baiting the hook with talks of fabulous loans, but only in exchange for a real control of key industries in Spain.

In Madrid everyone has believed devaluation to be inevitable; the stock market soared to fabulous heights, something unheard of since 1956. Exporters are encouraged, but certain industrialists (the textile

But the Government has to play for time; to do so it has to pretend that nothing is happening here.

KRUPP EYES SPAIN

As it is fashionable, these days, to take the train to Paris, Martín Artajo and Ruiz Giménez (former Minister of Education) took it also, on the pretext of attending a meeting of the European Center of Documentation. There they met with high French officials, but, like Ullastres, they did not neglect their German contacts either. To tell the truth, the so-called "Christian Democrats" like Martín Artajo and Ruiz Giménez are attuned to the party of Chancellor Adenauer through the Vatican. And the industrialists? Who knows. What we do know is that the latter favor devaluation, loans from Germany and a capitalist renovation copied after the German one.

The latest to take the train for Paris was Sr. Solís, accompanied by three economic experts. Their destination was Paris, and, though this was not mentioned, Bonn.

Why this multiplication of emissaries? It probably is a manifestation on the economic level of the struggle going on for the hegemony of the new government being prepared by Franco. All coincide in conferring with Germany. It would seem that manna is expected, not from heaven but from Germany. But it is manna which will not be graciously conceded. It is no secret that the Krupp trust, which is coming back into its pre-war own, has its eyes on the Avilés steel combine in Spain. Furthermore, it seems almost certain that Krupp will save the Madrid metal works, "Manufacturas Metálicas Madrileñas," from its present difficulties. With this Krupp will become the owner, whether directly or indirectly, of the company. That is, if the French company Wender does not get there first, which also is a possibility.

In brief, unless a "suicidal" path is taken, Spain will be obliged to devalue the peseta. If she succeeds in obtaining loans then she will go on to convertibility. For once, she cannot stall for time. Decisions must be made within a month, or a month and a half, no matter what Ullastres may say.

A "GLORIOUS FAILURE"

To fill out this dismal picture of the economic scene in Spain I should report that foreign sales of Spanish oranges are 20% lower than they were last year at this date; purchases have gone down particularly in England and Switzerland; competition with Israel is very stiff in the latter country.

Steel produced in Avilés has been exported, but a good deal of this had to be used to pay for the machinery imported by the *Instituto Nacional de Industria*. As the cost of steel production in Avilés is higher than the price of steel on the international market, the entire operation has been, as an I.N.I. official has admitted, "a glorious failure." Less glorious has been that of the Escombreras plant where about 4,000 million pesetas (about \$100 million) have gone down the drain in a vain effort to extract oil from bituminous schists!

Finally, do you know that the fiduciary circulation leaped 3,500 millions of pesetas last month, bringing the total figure up to 72,518 millions? All in all, there is not much call for optimism on the economic front.

IN SEARCH OF PRO-ARAB POLITICS

As the reader can readily understand, the European imperative is much greater than ever before for Spain; this the Spanish Government realizes, and, to be fair, one must say that it has realized it for some time now. And this most of the opposition forces realize as well. But now, paradoxically enough, the Government is seeking to revive its pro-Arab policy.

This was the reason for Sr. Castiella's trip to Cairo in January, this and an attempt to keep the Italians from getting ahead in the role of mediator which as we know the Caudillo has always coveted. But in spite of the smoke screen of propaganda, official declarations, etc., it cannot be said that the objectives of the trip have been achieved, not even with respect to settling the matter of President Nasser's often announced visit to Spain. As to the Italians, "by chance" Sr. Fanfani was outside of Rome when Castiella was en route to Egypt, and on the latter's return trip Fanfani was tied up in an unexpected cabinet meeting. The Spanish Foreign Minister had to be contented to talk with a high official of the Italian Ministry of Foreign Affairs, Sr. Stranto.

To return to the Arab countries: because of the lack of concrete agreements, the Spanish Foreign Office is now preparing a "Millennium of the Caliphate of Cordoba," with which it hopes to attain a new prestige in Arab countries. This is just as well, because things are getting pretty involved in Morocco, where the Government insists that it has proof of Spanish participation in the wave of disturbances in the Rif.

Labor unrest has increased because of the negligible benefits obtained through the much vaunted officially sanctioned "collective bargaining contracts." Disappointment has been so great that the press has received orders to try to mitigate the situation. On January 15 *Ya* published an editorial on this subject from which we reproduce the following gem:

"The laborers are mistaken in being disappointed every time that all their aspirations in a union negotiation cannot be attained, no matter how legitimate they may be. To negotiate is, in brief, to compromise."

The forces of the opposition, and even those of the pseudo-opposition, try to profit by this atmosphere of restiveness and dissatisfaction which is spreading. This "pseudo-opposition" includes the so-called "Christian Democracy" headed by Martín Artajo, Bishop Herrera, García de Pablo, Ruiz-Giménez, etc. This group dreams of a return to power with Franco staying on as Chief of State, and the opening of an era of "national coexistence" with certain freedoms and an increase in the standard of living, thanks to foreign loans and investments (above all, German ones). This policy would seem to count on the support of Rome and the Spanish hierarchy. What is not known is whether it counts on support from El Pardo Palace. In the meantime the censor (Arias Salgado, Minister of Information, in person, it is said) has "taken charge" of three successive articles by Martín Artajo in which the latter alluded to the possibility, in agreement with the institutional laws of the regime, of a separation of the office of Chief of State from that of head of the Government.

REORGANIZATION OF THE GOVERNMENT

It has been said a thousand and one times that the "Opus Deist" government is finished and that a new government will have been appointed by springtime. Will it be a "Christian Democrat" group, or, perhaps, the autocratic old-guard Falangists? There is talk of Girón, Elola, and Arrese with them. Another old-guard Falangist, Suevos, became very violent the other day at a banquet given in connection with the awarding of the Falangist literary prizes, saying that the word "Movement" should always be accompanied by the word "Falange" and that the Falangist revolution was yet to take place. Solís, the present

Minister of the Falange was also present and tried to pour oil on the troubled waters. He too could well be preparing his neo-Falangist combination for the new government. A Falangism which would include Arburúa. It is quite possible that Franco may consider Solís the best bet to save the situation. This would infuriate those of the pseudo-opposition of Acción Católica, who assert that under such circumstances they would *really* pass over to the opposition. But Sr. Gil Robles is not convinced of this and he keeps his distance from them; even less convinced is Sr. Jiménez Fernández, who seems to be the inspiration of a "Left-Wing Christian Democracy" which would have its voice heard on the banks of the distant Tiber.

A CABINET IN ESTORIL

The monarchists, too, are frowning in anticipation of such an eventuality [a Falangist-dominated cabinet] and reports from Portugal announce the appointment by "His Highness" of a Council of the Realm made up of General Kindelán, the Arauz brothers (Carlist representatives), Yanguas Messia and Pérez Embid, of the Opus Dei, and as Secretary, Gonzalo de la Mora.

Perhaps one of these days the real opposition, the one which is not in quotation marks, will awaken, and then we will see what we will see. From Barcelona come reports of the welcome given by the students to the returning professors who had been imprisoned last fall; of the strikes in Tarrasa, and of an increase in the Catholic opposition which could well cost Acedo Colunga (who is determined that the Caudillo take steps against the Abbot of Montserrat) his position as Governor of the Province of Barcelona.

And who do you suppose threatened to go on strike right here in Madrid? The functionaries of the Bureau of Statistics, no less. When things began to look serious funds were quickly appropriated so as to raise their wages.

It is because of all of this that Sr. Ullastres felt obliged to say to the Spaniards on the radio recently, "You are not going to have to make such serious sacrifices as you had thought." Note the word "such"; later there will be serious sacrifices, and this is what worries Sr. Ullastres and the Government today.

TELMO LORENZO
Madrid, January 28, 1959

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Approved For Release 2003/07/29 : CIA-RDP80B01676R003700080035-8

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Approved For Release 2003/07/29 : CIA-RDP80B01676R003700080035-8